

AMENDED IN SENATE JULY 17, 2001
AMENDED IN ASSEMBLY MAY 24, 2001
AMENDED IN ASSEMBLY APRIL 16, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 1

Introduced by Assembly Member Aanestad

December 4, 2000

An act to amend Section 399.8 of the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 1, as amended, Aanestad. Electrical restructuring: energy efficiency programs.

Under the Public Utilities Act, the Public Utilities Commission, until January 1, 2012, requires electrical corporations to identify a separate rate component to collect a system benefits charge to fund energy efficiency, renewable energy, and research, development, and demonstration programs.

This bill would establish a dispute resolution process for the Large Nonresidential Standard Performance Contract Program funded under these provisions.

~~Existing law provides that a~~

~~A violation of the Public Utilities Act~~ *act* is a crime. Because a violation of the provisions of this bill would be a crime, this bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state.

Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 399.8 of the Public Utilities Code, as
2 added by Chapter 1050 of the Statutes of 2000, is amended to read:

3 399.8. (a) In order to ensure that the citizens of this state
4 continue to receive safe, reliable, affordable, and environmentally
5 sustainable electric service, it is the policy of this state and the
6 intent of the Legislature that prudent investments in energy
7 efficiency, renewable energy, and research, development and
8 demonstration shall continue to be made.

9 (b) (1) Every customer of an electrical corporation, shall pay
10 a nonbypassable system benefits charge authorized pursuant to
11 this article. The system benefits charge shall fund energy
12 efficiency, renewable energy, and research, development and
13 demonstration.

14 (2) Local publicly owned electric utilities shall continue to
15 collect and administer system benefits charges pursuant to Section
16 385.

17 (c) (1) The commission shall require each electrical
18 corporation to identify a separate rate component to collect
19 revenues to fund energy efficiency, renewable energy, and
20 research, development and demonstration programs authorized
21 pursuant to this section beginning January 1, 2002, through
22 January 1, 2012. The rate component shall be a nonbypassable
23 element of the local distribution service and collected on the basis
24 of usage.

25 (2) This rate component may not exceed, for any tariff
26 schedule, the level of the rate component that was used to recover
27 funds authorized pursuant to Section 381 on January 1, 2000. If the
28 amounts specified in paragraph (1) of subdivision (d) are not
29 recovered fully in any year, the commission shall reset the rate
30 component to restore the unrecovered balance, provided that the
31 rate component may not exceed, for any tariff schedule, the level



1 of the rate component that was used to recover funds authorized
2 pursuant to Section 381 on January 1, 2000. Pending restoration,
3 any annual shortfalls shall be allocated pro rata among the three
4 funding categories in the proportions established in paragraph (1)
5 of subdivision (d).

6 (d) The commission shall order San Diego Gas and Electric
7 Company, Southern California Edison Company, and Pacific Gas
8 and Electric Company to collect these funds commencing on
9 January 1, 2002, as follows:

10 (1) Two hundred twenty-eight million dollars (\$228,000,000)
11 per year in total for energy efficiency and conservation activities,
12 one hundred thirty-five million dollars (\$135,000,000) in total per
13 year for renewable energy, and sixty-two million five hundred
14 thousand dollars (\$62,500,000) in total per year for research,
15 development and demonstration. The funds for energy efficiency
16 and conservation activities shall continue to be allocated in
17 proportions established for the year 2000 as set forth in paragraph
18 (1) of subdivision (c) of Section 381.

19 (2) The amounts shall be adjusted annually at a rate equal to the
20 lesser of the annual growth in electric commodity sales or
21 inflation, as defined by the gross domestic product deflator.

22 (e) The commission and the Energy Commission shall retain
23 and continue their oversight responsibilities as set forth in Sections
24 381, 383, 383.5, and 445, and Chapter 7.1 (commencing with
25 Section 25620) of the Public Resources Code.

26 (f) (1) On or before January 1, 2004, the Governor shall
27 appoint an independent review panel including, but not limited to,
28 members with expertise on the energy service needs of large and
29 small electricity consumers, system reliability issues, and
30 energy-related public policy. On or before January 1, 2005, the
31 panel shall prepare and submit to the Legislature and the Energy
32 Commission a report evaluating the energy efficiency, renewable
33 energy, and research, development and demonstration programs
34 funded under this section. Reasonable costs associated with the
35 review in each of the three program categories, including technical
36 assistance, may be charged to the relevant program category under
37 procedures to be developed by the commission for energy
38 efficiency and by the Energy Commission for renewable energy
39 and research, development and demonstration.

40 (2) The report shall also assess all of the following:

1 (A) Whether ongoing programs are consistent with the
2 statutory goals.

3 (B) Whether potential synergies among the program categories
4 described in paragraph (1) that could provide enhanced public
5 value have been identified and incorporated in the programs.

6 (C) If established targets for increased renewable generation
7 are likely to be achieved.

8 (D) What changes should be made to result in a more efficient
9 use of public resources.

10 (3) The report shall also compare the Energy Commission's
11 programs with efforts undertaken by other states and assess, as an
12 alternative, the relative costs and benefits of adopting a tradable
13 minimum renewable energy requirement in California. The
14 evaluation shall include recommendations intended to optimize
15 renewable resource development at the least cost.

16 (4) For energy efficiency programs, the report shall include an
17 evaluation of all of the following:

18 (A) The net benefits secured for residential customers, taking
19 into account both public and private costs, including
20 improvements in that customer group's ability to avoid or reduce
21 consumption of relatively costly peak electricity.

22 (B) Whether the programs provide a balance of benefits to all
23 sectors that contribute to the funding.

24 (C) The extent to which competition in energy markets
25 including, but not limited to, load participation in ancillary
26 services markets, and improvements in technology affect the
27 continuing need for such programs.

28 (D) The status and growth of the private, competitive energy
29 services industry that provides energy efficiency services and
30 other energy products to customers.

31 (E) The commercial availability of any new technologies that
32 reduce electricity demands during high-priced periods.

33 (F) Customers' willingness and ability to reduce consumption
34 or adopt energy efficiency measures without program support.

35 (G) The extent to which the programs have delivered
36 cost-effective energy efficiency not adequately provided by
37 markets and as a result have reduced energy demand and
38 consumption.



1 (H) The relative cost effectiveness of program expenditures
2 compared to other current or potential expenditures to enhance
3 system reliability.

4 (5) The report shall include specific recommendations aimed
5 at assisting the Legislature in determining whether to change or
6 eliminate the collection of the system benefits charge on or after
7 January 1, 2007.

8 (6) The panel may update and revise the report as needed.

9 (g) Promptly after receiving the panel's report, the commission
10 shall convene a proceeding to address implementation of the
11 panel's energy efficiency recommendations.

12 (h) An applicant for the Large Nonresidential Standard
13 Performance Contract Program funded pursuant to paragraph (1)
14 of subdivision (b) and an electrical corporation shall promptly
15 attempt to resolve disputes that arise related to the program's
16 guidelines and parameters prior to entering into a program
17 agreement. The applicant shall provide the electrical corporation
18 with written notice of any dispute. Within 10 business days after
19 *the date of* receipt of the notice, the parties shall meet to resolve
20 the dispute. If the dispute is not resolved within 10 business days
21 after the meeting, the electrical corporation shall notify the
22 applicant of his or her right to file a complaint with the ~~Consumer~~
23 ~~Affairs Division~~ of the commission, which complaint shall
24 describe the grounds for the complaint, injury, and relief sought.
25 The ~~Consumer Affairs Division~~ *commission* shall issue its findings
26 in response to a filed complaint within 30 business days of *the date*
27 *of* receipt of the complaint. Prior to issuance of its findings, the
28 ~~Consumer Affairs Division~~ *commission* shall provide a copy of the
29 complaint to the electrical corporation, which shall provide a
30 response to the complaint to the ~~Consumer Affairs Division~~
31 *commission* within five business days of *the date of* receipt. During
32 the dispute period, the amount of estimated financial incentives
33 shall be held in reserve until the dispute is resolved.

34 SEC. 2. Section 399.8 of the Public Utilities Code, as added
35 by Chapter 1051 of the Statutes of 2000, is amended to read:

36 399.8. (a) In order to ensure that the citizens of this state
37 continue to receive safe, reliable, affordable, and environmentally
38 sustainable electric service, it is the policy of this state and the
39 intent of the Legislature that prudent investments in energy

1 efficiency, renewable energy, and research, development and
2 demonstration shall continue to be made.

3 (b) (1) Every customer of an electrical corporation, shall pay
4 a nonbypassable system benefits charge authorized pursuant to
5 this article. The system benefits charge shall fund energy
6 efficiency, renewable energy, and research, development and
7 demonstration.

8 (2) Local publicly owned electric utilities shall continue to
9 collect and administer system benefits charges pursuant to Section
10 385.

11 (c) (1) The commission shall require each electrical
12 corporation to identify a separate rate component to collect
13 revenues to fund energy efficiency, renewable energy, and
14 research, development and demonstration programs authorized
15 pursuant to this section beginning January 1, 2002, through
16 January 1, 2012. The rate component shall be a nonbypassable
17 element of the local distribution service and collected on the basis
18 of usage.

19 (2) This rate component may not exceed, for any tariff
20 schedule, the level of the rate component that was used to recover
21 funds authorized pursuant to Section 381 on January 1, 2000. If the
22 amounts specified in paragraph (1) of subdivision (d) are not
23 recovered fully in any year, the commission shall reset the rate
24 component to restore the unrecovered balance, provided that the
25 rate component may not exceed, for any tariff schedule, the level
26 of the rate component that was used to recover funds authorized
27 pursuant to Section 381 on January 1, 2000. Pending restoration,
28 any annual shortfalls shall be allocated pro rata among the three
29 funding categories in the proportions established in paragraph (1)
30 of subdivision (d).

31 (d) The commission shall order San Diego Gas and Electric
32 Company, Southern California Edison Company, and Pacific Gas
33 and Electric Company to collect these funds commencing on
34 January 1, 2002, as follows:

35 (1) Two hundred twenty-eight million dollars (\$228,000,000)
36 per year in total for energy efficiency and conservation activities,
37 one hundred thirty-five million dollars (\$135,000,000) in total per
38 year for renewable energy, and sixty-two million five hundred
39 thousand dollars (\$62,500,000) in total per year for research,
40 development and demonstration. The funds for energy efficiency

1 and conservation activities shall continue to be allocated in
2 proportions established for the year 2000 as set forth in paragraph
3 (1) of subdivision (c) of Section 381.

4 (2) The amounts shall be adjusted annually at a rate equal to the
5 lesser of the annual growth in electric commodity sales or
6 inflation, as defined by the gross domestic product deflator.

7 (e) The commission and the Energy Commission shall retain
8 and continue their oversight responsibilities as set forth in Sections
9 381, 383, 383.5, and 445, and Chapter 7.1 (commencing with
10 Section 25620) of Division 15 of the Public Resources Code.

11 (f) (1) On or before January 1, 2004, the Governor shall
12 appoint an independent review panel including, but not limited to,
13 members with expertise on the energy service needs of large and
14 small electricity consumers, system reliability issues, and
15 energy-related public policy. On or before January 1, 2005, the
16 panel shall prepare and submit to the Legislature and the Energy
17 Commission a report evaluating the energy efficiency, renewable
18 energy, and research, development and demonstration programs
19 funded under this section. Reasonable costs associated with the
20 review in each of the three program categories, including technical
21 assistance, may be charged to the relevant program category under
22 procedures to be developed by the commission for energy
23 efficiency and by the Energy Commission for renewable energy
24 and research development and demonstration.

25 (2) The report shall also assess all of the following:

26 (A) Whether ongoing programs are consistent with the
27 statutory goals.

28 (B) Whether potential synergies among the program categories
29 described in paragraph (1) that could provide enhanced public
30 value have been identified and incorporated in the programs.

31 (C) If established targets for increased renewable generation
32 are likely to be achieved.

33 (D) What changes should be made to result in a more efficient
34 use of public resources.

35 (3) The report shall also compare the Energy Commission's
36 programs with efforts undertaken by other states and assess, as an
37 alternative, the relative costs and benefits of adopting a tradable
38 minimum renewable energy requirement in California. The
39 evaluation shall include recommendations intended to optimize
40 renewable resource development at the least cost.

1 (4) For energy efficiency programs, the report shall include an
2 evaluation of all of the following:

3 (A) The net benefits secured for residential customers, taking
4 into account both public and private costs, including
5 improvements in that customer group's ability to avoid or reduce
6 consumption of relatively costly peak electricity.

7 (B) Whether the programs provide a balance of benefits to all
8 sectors that contribute to the funding.

9 (C) The extent to which competition in energy markets
10 including, but not limited to, load participation in ancillary
11 services markets, and improvements in technology affect the
12 continuing need for such programs.

13 (D) The status and growth of the private, competitive energy
14 services industry that provides energy efficiency services and
15 other energy products to customers.

16 (E) The commercial availability of any new technologies that
17 reduce electricity demands during high-priced periods.

18 (F) Customers' willingness and ability to reduce consumption
19 or adopt energy efficiency measures without program support.

20 (G) The extent to which the programs have delivered
21 cost-effective energy efficiency not adequately provided by
22 markets and as a result have reduced energy demand and
23 consumption.

24 (H) The relative cost effectiveness of program expenditures
25 compared to other current or potential expenditures to enhance
26 system reliability.

27 (5) The report shall include specific recommendations aimed
28 at assisting the Legislature in determining whether to change or
29 eliminate the collection of the system benefits charge on or after
30 January 1, 2007.

31 (6) The panel may update and revise the report as needed.

32 (g) Promptly after receiving the panel's report, the commission
33 shall convene a proceeding to address implementation of the
34 panel's energy efficiency recommendations.

35 (h) An applicant for the Large Nonresidential Standard
36 Performance Contract Program funded pursuant to paragraph (1)
37 of subdivision (b) and an electrical corporation shall promptly
38 attempt to resolve disputes that arise related to the program's
39 guidelines and parameters prior to entering into a program
40 agreement. The applicant shall provide the electrical corporation

1 with written notice of any dispute. Within 10 business days after
2 receipt of the notice, the parties shall meet to resolve the dispute.
3 If the dispute is not resolved within 10 business days after *the date*
4 *of the meeting*, the electrical corporation shall notify the applicant
5 of his or her right to file a complaint with the ~~Consumer Affairs~~
6 ~~Division of the~~ commission, which complaint shall describe the
7 grounds for the complaint, injury, and relief sought. The
8 ~~Consumer Affairs Division~~ *commission* shall issue its findings in
9 response to a filed complaint within 30 business days of *the date*
10 *of receipt of the complaint*. Prior to issuance of its findings, the
11 ~~Consumer Affairs Division~~ *commission* shall provide a copy of the
12 complaint to the electrical corporation, which shall provide a
13 response to the complaint to the ~~Consumer Affairs Division~~
14 *commission* within five business days of *the date of receipt*. During
15 the dispute period, the amount of estimated financial incentives
16 shall be held in reserve until the dispute is resolved.

17 SEC. 3. No reimbursement is required by this act pursuant to
18 Section 6 of Article XIII B of the California Constitution because
19 the only costs that may be incurred by a local agency or school
20 district will be incurred because this act creates a new crime or
21 infraction, eliminates a crime or infraction, or changes the penalty
22 for a crime or infraction, within the meaning of Section 17556 of
23 the Government Code, or changes the definition of a crime within
24 the meaning of Section 6 of Article XIII B of the California
25 Constitution.

